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Carriers prepare to bid farewell to the old bill of lading

 MAY 19TH, 2020

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The Digital Container Shipping Association (DCSA), which features the IT expertise of the world's top liners, is determined to consign the centuries-old bill of lading to history.

In a new report, the DCSA states that moving towards a standard, paperless bill of lading will derive \$4bn in potential annual savings at a 50% adoption rate for the container shipping industry

Since the first efforts to digitise bills of lading in the late 1990s, the promise of an electronic bill of lading for the container shipping industry has remained elusive. In fact, Tradelens, the Maersk and IBM blockchain platform, goes so far as to call an electronic bill of lading standard the "Holy Grail of global trade". Like the Holy Grail, there are a number of obstacles on the road to attaining it.

"Eliminating paper from the shipping transaction will make every aspect of commercial container shipping better, faster, cheaper, more secure and environmentally friendly," DCSA stated.

Despite the lack of a standardised approach to digitalisation, some carriers and solution providers have continued to move forward with proprietary electronic bill of lading initiatives, albeit at a limited scale.

However, as André Simha, global chief digital and innovation officer for MSC and DCSA chairman recently noted, "The Covid-19 situation is bringing the core strengths of a standardised eBL to the fore. Cargo in ports cannot be gated out because of paper that is stuck elsewhere due to airfreight delays caused by the pandemic."

In an effort to fully understand the benefit of digitising the bill of lading, DCSA carried out a financial modelling exercise to quantify the potential cost savings for switching from paper to electronic bill of lading. The research showed the total cost of processing paper bills is almost three times that of electronic ones. At a global economic growth rate of 2.4% through 2030, as forecasted by the OECD, the DCSA estimates that the industry can potentially save more than \$4bn per year if 50% electronic bill of lading adoption is achieved.

In aviation, IATA introduced e-Air Waybills for airfreight in 2010. At present, adoption of is over 68% in airfreight.

"Achieving acceptance of electronic documentation for something as critical as the bill of lading requires maintaining the integrity and uniqueness of the document as it makes its way along the supply chain," DCSA stated, pointing out how technologies such as distributed ledger technology (DLT), peer-to-peer and blockchain offer potential solutions for eliminating the risk of a single catastrophic failure or attack that would compromise the integrity and uniqueness of an electronic bill of lading.

Concerns over legal enforceability have also been a barrier to widespread adoption of the electronic bill of lading. Not every government has provisions for an electronic form. Many of them require paper, and the lack of industry-standard language and definitions have made it impossible for them to rubber stamp an electronic replacement.

However, progress is also being made in this area, and accelerated as a result of the Covid-19 crisis. A number of

DCSA members have reported a sharp increase in electronic bill of lading adoption in an effort to keep trade moving. In addition, the International Group of P&I Clubs, which provides indemnity insurance to around 90% of the world's ocean-going tonnage, has picked up the pace on approving electronic bill of lading solution providers, with two added in the last six months to a total of six approved so far.

For any robust technology, such as blockchain or digital ledger, to safely deliver an electronic bill of lading from end-to-end, data model and transmission standards need to be in place. If everyone who touches the electronic bill of lading is using the same data format and communication standards, it can be transported seamlessly regardless of pre-existing relationships between stakeholders, DSCA pointed out.

"Digital standards will enable interoperability between all stakeholders, such as system providers, shippers, carriers, banks and regulators. Different parties can be involved in a transaction as long as they have implemented the standards. Once a standard eBL is available, it will also be easier for regulators, banks and insurers to accept the eBL as a viable alternative to a paper BL," the report maintained.

This month, DCSA will embark on an initiative to enable the open collaboration necessary for achieving full electronic bill of lading adoption. As part of this initiative, DCSA will develop open source standards for necessary legal terms and conditions, as well as definitions and terminology to facilitate communication among customers, container carriers, regulators, financial institutions and other industry stakeholders.

"DCSA's mission is to drive alignment and digital standardisation to enable transparent, reliable, easy to use, secure and environmentally friendly container transportation services. Digitising documentation, starting with the bill of lading, is key to the simplification and digitisation of global trade" remarked Thomas Bagge, CEO of DCSA. "The transformation that has taken place in the airline industry is an example of what's possible if we work together. The e-Air Waybill is now the norm rather than the exception among air carriers. We invite industry stakeholders to work with us to create standards that will make the eBL maximally useful and relevant for ensuring their goods are delivered safely and seamlessly to their final destination."

Smart bills of lading are now being pioneered by many companies across the world. The old fashioned paperwork has attracted much criticism in recent years. At a Maritime CEO Forum in Singapore two years ago bills of lading were described as something that have not changed much from the times of Columbus, apart from moving via DHL rather than on horse.

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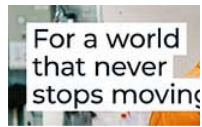
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Sam Chambers (<https://splash247.com/author/samc/>)

Starting out with the Informa Group in 2000 in Hong Kong, Sam Chambers became editor of Maritime Asia magazine as well as East Asia Editor for the world's oldest newspaper, Lloyd's List. In 2005 he pursued a freelance career and wrote for a variety of titles including taking on the role of Asia Editor at Seatrade magazine and China correspondent for Supply Chain Asia. His work has also appeared in The Economist, The New York Times, The Sunday Times and The International Herald Tribune.

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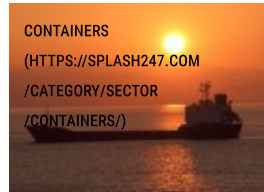
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1 COMMENT



Karen (<http://linkedin.com/in/karen-czachorowski-msc-b2726a40/>) May 19, 2020 at 6:00 pm

Could not agree more to everything written here! Coming from the industry and academia (this is my area of research), reading this was just like listening to my favorite song. Many challenges ahead, that's for sure, but flat oceans have never made good sailors. It is sad that a pandemic had to happen for things to move, but that is pretty much history repeating itself – the biggest innovations and improvements usually happened due to wars, difficulties and so on. Hopefully we can learn from this one and put things to work.

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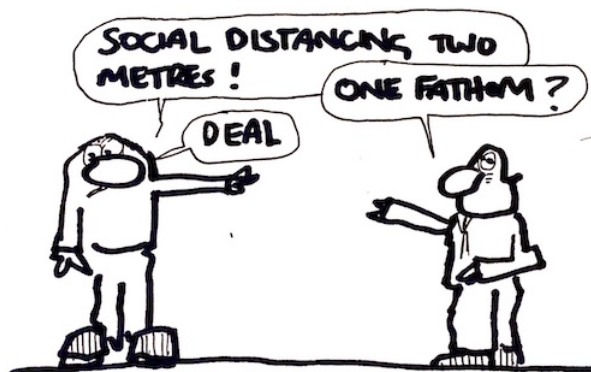


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